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Central Civil Services - Retirement Benefits

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1 INTRODUCTION

In India, the concept of old age social security dates back to third century B.C.. Sukraniti¹ states that a king should pay half of the wages to a worker if he has completed forty years of service and is not being able to perform his services on account of old age.²

The concept of civil services in India and the provisions for their pensions can be traced back to colonial times. Retirement benefits were given by the Royal Commission on Civil Establishment in 1881³. These rules were applicable to all European members and some Indian members of the civil services. These members had to contribute 4% of their salary.

The Government of India Acts of 1919, gave a choice to those civil servants, who were employed before January 1, 1920 on a non permanent basis, to retire (at any time) on a pension proportionate to their service.

In 1920, on recommendation of the Royal Commission headed by Lord Islington, the provision of contributions by the beneficiaries was canceled. At the same time, an ICS Provident Fund (applicable to non Europeans) was introduced. The minimum and maximum contribution for this fund was 4% and 12%.

In 1924, the Royal Commission, recommended increase in the rate of pension. The commission also recommended that in case of a transfer of the work of an employee, for which he was recruited, the employee should be given a choice to retire on a proportionate pension. The provident fund was made as an alternative to the pension system. Commutation of not more than half of the pension was statutorily granted.

The Government of India Acts of 1935 also strengthened the provisions of retirement benefits for civil servants.

The central civil service employees, in employment before 01/01/2004 get their retirement benefits according to the provisions of Central Civil Service pension Rules (1972) and its subsequent amendments. These employees are entitled to a host of contributory and non-contributory retirement benefits. This paper discusses these retirement benefit in details. Section 2 covers the

¹An ancient Indian treatise on statecraft.

²This section heavily draws upon the Report of the Group to Study the Pension Liabilities of the State government, Reserve Bank of India, October 2003 by B. K. Bhattacharya

³Goswami, 2001

jurisdiction and legislation aspects, which administer the retirement benefits of the central civil service employees. Section 3 gives the coverage of the retirement benefits of the central civil service employees. Section 4 covers the details of all the retirement benefits, to which a central civil service employee is entitled to. Section 5 covers the tax treatment of the various retirement benefits. Section 6 gives the conclusions of this paper.

2 JURISDICTION AND LEGISLATIONS

Matters relating to social security are listed in the Directive Principles of State Policy⁴ and are the subjects in the Concurrent List.

The following social security issues are mentioned in the Concurrent List (list III in the seventh schedule of the constitution of India):

1. Item No. 23: social security and insurance, employment and unemployment
2. Item No. 24: welfare of labour including conditions of work, provident funds, employers liability, workmen's compensation, invalidity, old age pension and maternity benefits

The retirement benefits for central civil service employees are administered by the provisions of the following act/rules:

1. General Provident Fund (Central Service) Rules, 1960
2. Contributory Provident Fund Rules (India), 1962
3. Central Civil Service Pension Rules (1972)
4. Central Civil Service (Commutation of Pension) Rules, 1981

3 COVERAGE

The retirement benefits of central civil service employees, which are covered in this paper apply to every central civil service employee as defined by

⁴The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.

Central Civil Service Rules, 1965⁵. Table1 shows the total number of central civil service employee from 1997 onwards⁶.

Table 1: Total number of central civil service employees

Years	Total number of central civil service employees*
1997	1643667 (actual)
1998	1259456 (actual)
1999	1627574 (actual)
2000	1222321 (actual)
2001	1121623(actual)
2002	1324423 (actual)
2003	1428763(estimated)
2004	1429856 (estimated)

*Total number of central government employees minus the sum of employees of Ministry of Railways and department of Post plus the department of Telecommunication (Ministry of Communication)

⁵As given by Central Civil Service Rules 1965, central civil services include every central government servant including every civilian Government servant in the Defense Services, but do not include - 1.Any railway servant, 2.Any member of the All India Services, 3.Any person in casual employment, 4. Any person subject to discharge from service on less than one month's notice, 5. Locally recruited staff in missions Abroad in ministry of external affairs, 6. Following employees of the Ministry of Communication (Post and Telegraphs Department): (a) extra-departmental agents (b) monthly-rated staff paid from contingencies other than those brought on to regular establishment. (c) monthly-rated work-charged and other employees not on regular establishment. (d) daily-rated staff paid from contingencies. (e) daily-rated workmen paid by the day, week, month, etc. (f) all hot weather and monsoon establishment. (g) on-departmental telegraphic and telephone operators. 7. Following employees of the Ministry of Home Affairs: police officers up to the rank of Inspector of Police in Delhi Special Police Establishment. 8. Following employees of the Ministry of Urban Development: the President's Garden Establishment and Estate Office. 9. Following employees of the Ministry of Tourism and Civil Aviation, Ministry of Shipping and Transport: (a) locally recruited staff in Tourist Offices abroad. (b)work-charged personnel of the Mangalore Projects and the Tuticorin Harbour Projects.

⁶The numbers given in this table are taken from Union Budget, Expenditure Budget, Volume 1, Annexure 7 ,Estimated Strength of Establishment and provision therefor) for corresponding years.

4 BENEFITS

The retirement benefits for the central civil service employees can be broadly classified into the following categories:

1. Non Contributory Benefits
2. Contributory Benefits
3. Other Benefits⁷ (Extraordinary Pensions, Leave Encashment)

4.1 Non Contributory Benefits

The non contributory retirement benefits for the central civil service employees are pensions⁸ and gratuity⁹. The non contributory benefits for the central civil services employees are a function of the the following two factors:

1. The length of the qualifying service
2. The manner of the termination of the service

4.1.1 Measurement of Qualifying Service

The service¹⁰ of a central civil service employee commences from the date he takes charge of the post to which he is first appointed either substantively¹¹ or in an officiating¹² or temporary¹³ capacity. This is subject to the following

⁷The other benefits are not very different from non contributory benefits. However, we keep them in a different category due to their special characteristics which are normally not found in other non contributory benefits.

⁸This is a monthly payment to the employee.

⁹This is a lump sum payment to the employee.

¹⁰Service means service under the government and paid by the government from the consolidated fund of India or a local fund administered by that government but does not include service in a non- pensionable department unless such a service is treated as a qualifying service by the government.

¹¹When a person is appointed substantively to a post in government service, he normally acquires a right to hold the post until, under the rules he attains the age of superannuation or is retired in public interest after he has attained the age of 50 or 55 years as the case may be.

¹²The appointment in this case is made when the substantive incumbent of the post is on leave or has been appointed or transferred temporarily to another post, pending the return of the substantive incumbent.

¹³Temporary appointment implies that the services of a temporary government servant can be terminated any time by a month's notice given either by the employee or by the

conditions:

1. The officiating or temporary service is followed without interruption by substantive appointment in the same or another service.
2. In the case of a group D employee, who held a lien¹⁴ or a suspended lien on a permanent pensionable post prior to the 17th April 1950, service rendered before attaining the age of sixteen years is not counted.
3. For the rest of the cases, service rendered prior to attaining the age of eighteen is not counted.

Hence, the years in service are considered only after the age of eighteen. Next is the issue of determination of the qualifying service of an employee. An employee need not serve in a single department throughout his career. He may get transferred from one pensionable/ non-pensionable department to another pensionable/ non-pensionable department. There may be service breaks in his career owing to suspension and other factors. The Central Civil Service Pension Rules, 1972, have different set of rules for counting the qualifying service in each of the possible cases. We now discuss various possible cases in this regard and the corresponding rules for the determination of the qualifying service of an employee in these cases.

The various possible cases that may arise while counting the qualifying service of an employee and the corresponding rules of counting are as follows:

1. Central government employee belonging to a state government, is permanently transferred to a service where these rules are applicable:
In this case the continuous service is counted as the qualifying service.
2. Central government employees who were in service paid from contingencies and then absorbed in regular service in the same or another department to which the rules are applicable:
In this case, half the service paid from contingency has to be counted in the measurement of the qualifying service. This is subject to some conditions¹⁵.
3. Central government autonomous body being taken over by the central government:
In this case, the service of those employees who were in the service of that autonomous body at the time of the take over, has to be counted as a qualifying

employer.

¹⁴A lien is a legal right or interest that a creditor has in another property that last until the obligation is paid or satisfied.

¹⁵The conditions are as followed: (a) services paid from contingencies should have been in a job involving whole time employment, (b) services paid from contingencies should be in a type of work for which regular posts could have been sanctioned, (c) the service should have been one for which the payment is either on monthly or daily rates computed and paid on a monthly basis, (d) the services paid from contingencies should have been continuous and followed by absorption in regular employment without a break.

service. In the case of those employees, who left the service of that body any time prior to their takeover by the central government, and who later on joined services under the central government with or without a break, the service of such employees has to be counted as a qualifying service if and if only any sort of payment from the employer (other than the pay for the work done) is refunded to the government with a simple interest of 6% per annum from the date of the payment to the date of the refund.

4. Service on probation against a post if followed by confirmation in the same or another post:
In this case, the service in probation is counted as a qualifying service.
5. Pre-appointment training period:
The period of pre-appointment training period is counted in the measurement of the qualifying service.
6. A person initially engaged by the government on a contract for a specified period, gets permanently appointed (without a break) in a pensionable post:
In such a case, this person service period in the course of his contract is counted as a qualifying service if and if only this person refunds to the government, the monetary benefits excluding pay for the work done at a rate of 6%, or to forgo the same if they have not been paid to him.
7. A government servant retired from a pensionable post and then re-employed in a pensionable post:
In this case, the previous service of such an employee is counted as a qualifying service if and if only, he cease to draw his pension and refund his already drawn pension and any other retirement benefits, he has received. If he continues to draw the pension and/or retains the gratuity sanctioned for his earlier service, his former service is not counted as a qualifying service.
8. Employees who were previously in military service:
The above rule applies in this case.
9. All leave during service for which leave salary is payable and all extraordinary leave granted on medical certificates or required for educational purposes:
These kind of leaves are counted as a qualifying service.
10. Time passed by a government servant under suspension due to a pending inquiry into conduct:
This period of suspension is counted as a qualifying service if and if only the employee under suspension is exonerated from the charges. However, dismissal or removable of government servant from a service or post entails forfeiture of his past service.
11. Resignation from a service or post:
Resignation from a service or post entails forfeiture of past services unless it is allowed to be withdrawn in public interest or if it is taken up with proper permission.
12. A government servant is dismissed, removed or compulsorily retired from service, but is reinstated on appeal or review:
Such an employee is entitled to count his past service as his qualifying service.

The period of interruption in service between the date of dismissal, removal or compulsory retirement, as the case may be, and the date of reinstatement is not counted as a qualifying service, unless it is regularized as duty or leave.

13. An employee is declared surplus in his department but is eligible to be redeployed in that same department. Suppose this particular employee opts to retire voluntarily, instead of seeking re-deployment:

In this case, such an employee gets an addition of five years added to his qualifying service. This is subject to the condition that the qualifying service rendered by that employee must not be less than fifteen years, and the total after addition of five years is not more than the service he would have rendered had he retired on the date of his superannuation (compulsory age of retirement).

4.1.2 Termination of the Service

An employee's service terminates due to the following reasons:

1. Retirement
2. Expulsion
3. Resignation
4. Death before the occurrence of the above three factors

An employee may retire or be retired under the following conditions:

1. A government servant can retire by achieving the age of retirement (superannuation).
2. At any time after a government servant has completed thirty years qualifying service, (a) he may retire¹⁶ (he should not be under suspension) or (b) he may be asked to retire.
3. At any time after a government servant has completed twenty years of qualifying service, he has the option to retire. There are also exemption in this rule, same as given in 2(a). In this case there is an addition of five years of qualifying service for such an employee. However this rule does not apply to those employees who are prematurely retired by the government in public interest. The addition is subject to the condition that the total years of qualifying service after this addition does not exceed thirty three years and it does not take him beyond the date of superannuation.

¹⁶The sub clause (a) does not apply to government servant, including scientist or technical expert who is on assignment under the Indian Technical and Economic Co-operation, posted abroad in foreign based offices of the ministries/ departments, on a specific contract assigned to a foreign government, unless, after having been transferred to India, he has resumed the charge of the post in India and served for a period not less than one year.

4. A government servant may be retired just because of abolition of his permanent post for some or other reasons.
5. A government servant who has been permitted to be absorbed in a service in a corporation or company wholly or substantially owned or controlled by the central government or a state government, is given the status of a retiree.
6. A government servant can be retired from the service on account of any bodily or mental infirmity which permanently makes him unfit for the service.
7. A government servant may be retired as a penalty¹⁷

4.1.3 Determination of the non contributory benefits as a function of the measure of the qualifying service and the manner of the termination

Specification of different non contributory benefits as a function of the qualifying service and the manner of termination is given below on a case by case basis.

There are four possible cases.

1. Case 1: Retirement benefits of an employee who retires from his service:
 - (a) Sub case (I): Retirement due to superannuation or after completing a qualifying service of 30 years/20 years or due to absorption in a corporation or company owned and controlled by the government:
 In this sub case, non contributory retirement benefits are pension/ service gratuity and retirement gratuity. The determination of these non contributory retirement benefits depend upon the length of the qualifying service. In case, the qualifying service of an employee is strictly less than 5 years, the employee only gets a service gratuity. Admissible amount is half month's emoluments¹⁸ plus DA, last drawn for each completed six monthly period of qualifying service. In case, the qualifying service of an employee is more than equal to 5 years but strictly less than 10 years, the employee is entitled to get service gratuity and retirement gratuity. In case of service gratuity, the admissible amount is half month's emoluments plus DA, last drawn for each completed six monthly period of qualifying service. The retirement gratuity is calculated at 25% of a month's emoluments plus dearness allowance drawn before retirement for each completed six monthly period of qualifying service. Maximum retirement gratuity payable is 16 times the basic pay plus

¹⁷This is different from an employee being expelled.

¹⁸Emoluments mean pay, leave salary, or subsistence grant as defined in the fundamental rules and includes- (a) dearness pay appropriate to pay leave salary or subsistence grant, if admissible; (b) any wage paid by the government to employees not remunerated by fixed monthly pay; and any remuneration of the nature of pay received in respect of foreign service.

DA, limited to Rs.3.5 lakh¹⁹. In case, the qualifying service is more than equal to 10 years, the employee is entitled to get pensions and retirement gratuity. The amount of pension is equal to $1/2$ (average emolument for last ten months)(years of qualifying service (in completed six monthly period not exceeding 66)/2). The pension cannot exceed Rs.15,000²⁰The method for determination of retirement gratuity is same as that given in the previous case.

Note that to compensate a retiree for price increase, relief is granted to the pensioner in form of dearness relief at rates which has to be decided by the government from time to time²¹.

Also note that a central civil service employee is allowed to commute 40% of his residual pension amount in lump-sum²². The lump sum amount is calculated in accordance with the following formula:

Commutated value of pension (CVP)= 40% of monthly pension (12 times the commutation factor)

where commutation factor is fixed with reference to age at next birthday, on the date at which commutation becomes absolute. The monthly pension is reduced by the portion commuted and the commuted pension has to be restored on the expiry of 15 years from the date of receipt of the commuted value of pension.

- (b) Sub case (II):Retirement due to abolition of permanent post or on account of any physical or mental disability:
- (a) Abolition of the permanent post- In this case the employee has the following options:
- i. of taking compensation pension to which he may be entitled for the service he had rendered, or
 - ii. of accepting another appointment on such pay as may be offered and continue to count his previous service as a qualifying service.

If such an employee who is entitled to compensation pension accepts another appointment under the government and subsequently becomes entitled to receive a pension of any class, the amount of such a pension has to be more than equal to the compensation pension which he could have got, if he had not accepted the appointment.

(b) Physical and mental disability, which makes an employee unfit for the service: In this case, the employee is entitled to get a pension which is called

¹⁹Prior to fifth pay commission recommendations, the limit was 2.5 lakh.

²⁰Prior to fifth pay commission recommendations, the upper limit was Rs.4,500.

²¹This facility is not available to pensioners re-employed under the Central or state Government or a corporation/body/bank under them in India or abroad including permanent absorption in such corporation/ company/ body/ bank, he shall not be eligible to draw dearness relief on pension during the period of such re employment.

²²Prior to fifth pay commission recommendations, this was 33% of the residual pension.

as invalid pension. This payment is irrespective of the fact that whether employee's qualifying service is more than equal to 10 years or not.

Type and determination of the amount of the gratuity in this sub case depends upon the length of the qualifying service, as given in the previous subcase.

(c) Sub case (III): Retirement as a penalty:

A government servant compulsorily retired from service as a penalty is granted pension²³ at a rate not less than two-thirds and not more than full compensation pension²⁴ admissible to him on the date of his compulsorily retirement.

2. Case 2: Expulsion:

A government servant who is expelled from service shall forfeit his pension and gratuity. However, if the case is deserving of special consideration, he is sanctioned a compassionate allowance not exceeding two thirds of pension or gratuity or both which would have been admissible to him if he had retired on compensation pension. This type of pension is also commutable.

3. Case 3: Resignation:

Resignation²⁵ entail forfeiture of past service and hence an employee who resigns, does not get any pension. The amount of gratuity he gets depend upon his qualifying service.

4. Case 4: Death:

If an employee dies while in service, then his nominee is entitled to get family pension and death gratuity. Family pension is payable to the widow/ widower or to an eligible family member²⁶ from the date following the date of death of the central civil servant employee while in service or in retirement. This is payable after a minimum of one year of qualifying service. However, it is payable even before completion of the one year of qualifying service if the deceased employee had been medically examined and declared fit by the appropriate medical authority. The present rate of family pension is 30%²⁷ of last drawn pay at the time of death/ retirement subject to a minimum of Rs.1275 and maximum of Rs. 9000. In case of an employee dying in harness (after a qualifying service of more than 7 years) or after his retirement, family pension is paid at enhanced rates, equivalent to full

²³This includes gratuity also

²⁴This includes gratuity also.

²⁵Resignation is completely different from retirement. Retirement of an employee requires the consent of both the employee and the employer, which is not a case with the resignation.

²⁶The payment of family pension is discontinued, when the nominee starts earning a sum of Rs. 2550 per month from employment in Government, the private sector, self employment etc.

²⁷Prior to the acceptance of the recommendation of the fifth pay commission, the rates were as follows: (1) Basic pay not exceeding Rs. 1500-30% of basic pay subject to a minimum of Rs. 375 (2) Exceeding Rs. 1500 but not exceeding Rs. 3000- 20% of basic pay subject to a minimum of Rs. 375 (3) Basic pay exceeding Rs.3000 -15% of basic pay subject to a minimum of Rs. 600 and the maximum of Rs. 1,250

pension, for a period of 7 years or 67 years of age, whichever is earlier. Death gratuity is a one time lump sum benefit payable to the widow/ widower of the nominee of a quasi permanent or a temporary government servant, including CPF beneficiaries, dying in harness. The rates are determined as given by table 2.

Table 2: Rates at which death gratuity is given

Qualifying service	Rate
Less than one year	2(Basic pay +DA)
One year or more but less than five years	6(Basic pay +DA)
Five years or more but less than twenty years	12(Basic pay +DA)
20 years or more	(basic pay +DA) for every completed 6 monthly period of qualifying service subject to a maximum of 33 times of emolument (but not more than 3.5 lakhs)

4.2 Contributory Benefits

Central civil service employees are eligible to become a subscriber of General Provident Fund (GPF). Before 1986, the central civil service employees had the option to choose between GPF or Contributory Provident Fund (CPF). From 1986, onwards, this choice is not available to them. The central civil service employees have been given repeated options in the past to move from CPF to GPF. The last such option was given in the Department of Personnel and Training, O.M. No. F.3 (1)- Pension Unit/85, dated 6th June, 1985. The fourth Central Pay Commission has recommended that all CPF beneficiaries in service on January 1, 1986, should be deemed to have come over to the pension scheme on that date unless they specifically opt out to continue under the CPF scheme. This order applies to all central civil service employees who were under the CPF scheme on that date. The procedure for this conversion is presented in sub-section 4.2.3 of this paper.

Central civil service employees, after a qualifying service of 1 year are eligible to become a subscriber to the GPF. Subscribers to the GPF have to subscribe a fixed portion of their emoluments on a monthly basis. At the end of their service, they get the accumulated amount with the interest thereon.

Subscribers to the GPF are also eligible to get the benefits mentioned in subsection 4.1 (pensions and gratuity) of this paper.

Subscribers to the CPF are not eligible for pension benefits. The employer also makes a contribution in this case.

4.2.1 Contributory Provident Fund (CPF)

Conditions and rates of subscription:

The subscriber can choose to contribute any thing between 10% and 100% of his emoluments²⁸ (including the boundary points of this interval) on a monthly basis²⁹. Subscribers to the CPF are not required to subscribe to the fund during a period of suspension. If a subscriber was on suspension, then on his reinstatement, he has the option of paying in lumpsum, or in installments, any sum not exceeding the maximum amount of arrears of subscriptions payable for that period³⁰. If a subscriber elects to pay arrears of subscription in respect of a period of suspension, the emoluments or portion of emoluments that may be allowed for that period of reinstatement is considered as his emolument.

A subscriber on leave with a leave salary equal to or less than half pay or half average pay³¹ has the option to not to subscribe during this period. Such a subscriber, after reinstatement is allowed the option of paying in one lump sum, or in installments, any sum not exceeding the maximum amount

²⁸Emolument means pay, leave salary, or subsistence grant as defined in the fundamental rules and includes dearness pay appropriate to pay, leave salary or subsistence grant, if admissible, and any remuneration of the nature of pay received in respect of foreign service. The emoluments are to be determined in the following manner.

1. If the subscriber was on duty on the 31st march of the preceding year, then the emoluments would be the emolument to which he was entitled on that day.
2. If the subscriber was on leave on the 31st march of the preceding year and was not taking his salary, then his emoluments shall be the emoluments, which he would be entitled on the first day on his return to duty.
3. If the subscriber was on deputation out of India on the said date or was on leave and continues to be on leave and has elected to subscribe during such leave, his emoluments shall be the emoluments to which he would have been entitled had he been on duty in India.
4. If the subscriber joined the fund for the first time on a day subsequent to the said date, his emoluments shall be the emoluments to which he was entitled on such subsequent date.

²⁹The contribution should be a whole number.

³⁰Maximum amount of arrears of subscription means 100% of an emolument.

³¹This implies, when an employee is not getting a fixed emolument.

of arrears of subscription payable for that period. If a subscriber elects to subscribe during leave, his leave salary has to be considered as his emolument.

A subscriber has the option to not to subscribe to the fund for the month in which he quits service.

Contribution by Employer:

In case of CPF, the employer is also required to make a matching contribution to the CPF account of a subscriber subject to the constraint that the employer's contribution does not exceed 10% of subscriber's emoluments. The employer's contribution has to be made for only those months, in which the subscriber himself is also contributing. In case of an employee who quits the service or dies during a year, contribution shall be credited to his account for the period between the close of the preceding year and the date of the exit.

In case of an employee being transferred to another department of the same employer, the liability for employer contribution has be borne by the parent department.

Re-employed pensioners are also permitted to contribute to the CPF. In this case, the employer contribution is calculated with reference to subscriber net pay.³²

Interest:

The employer has to pay an interest to the credit of the account of a subscriber, at rates which are decided by the Government from time to time.

Table 3 shows rate of interest prior to 2004-2005;

Table 3: Interest rates applicable to CPF

Years	Rates of Interest Per Annum
1986-87 to 1999-2000	12.00%
2000-01	11.00%
2001-02	9.50%
2002-03	9.00%
2003-04	8.00%

Interest is credited with effect from 31st March of each year in the manner as shown by the table 4.

³²Pay exclusive of all pensionary elements including portion of pension commuted and

Table 4: Manner of credit of interest on CPF

Amount	Interest
On the amount to the credit of a subscriber on the 31st March of the preceding year, less any amount withdrawn during the current year	Interest for twelve months
On amount withdrawn during the current year	Interest from the 1st April of the current year up to the last day of the month preceding the month of the withdrawal
On all sums credited to the subscriber's account after 31st march of the preceding year	Interest from the date of the deposit up to the 31st march of the current year
When the amount standing to the credit of a subscriber becomes payable	Interest thereupon has to be credited in respect only of the period from the beginning of the current year or from the date of the deposit, as the case may be, up to the date on which the amount standing to the credit of the subscriber becomes payable.

Advances from the Fund:

A subscriber can get an advance from the fund for some specified purposes³³. This requires repayment of the last advances, if any. The highest permissible amount is three month's pay or half the amount of subscription and interest thereon standing to the credit of the subscriber in the fund, whichever is less.

Advances can be also made for purposes other than "specified purposes". This requires sanction from the President.

Advances can also be made even in the absence of repayment of previous

even in that case when pension is held in abeyance.

³³The specified purposes are- (a) to pay expenses for illness, confinement or disability, cost of high education (b) to pay obligatory expenses on a scale proportionate to the subscriber status which by customary usage the subscriber has to incur in connection with social rituals to meet the cost of legal proceedings instituted by or against the subscriber, any member of his family or any person dependent upon him

advances, if sanctioned. In this case, the balance of any previous advance not recovered has to be added to the advance so sanctioned.

Advances in excess of the limit³⁴ can also be made by a subscriber, if sanctioned. In case an advance is sanctioned in excess of the limit, the advance should not exceed the amount of subscription and interest thereon standing to the credit of the subscriber in the fund.

Recovery of Advances:

No interest is charged in the recovery of advances. In the process of recovery of advances, the number of installments should not be less than twelve unless the subscriber so elects and not more than twenty-four.

If the amount of advance exceeds three months pay of the subscriber, the number of installments can be more than twenty-four but not more than thirty six.

If an advance is sanctioned, without the complete repayment of last advance, the balance of any previous advance not recovered has to be added to the advance so sanctioned and the installment for recovery has to be fixed with reference to the consolidated amount.

Withdrawals from the Fund:

Withdrawals can be sanctioned to a subscriber from the amount standing to his credit in the fund. The prescribed limit is one-half of the subscription and interest thereon standing to the credit of the subscriber in the fund or six months pay, whichever is less. However, the limit is relaxable in certain cases.

Table 5 shows different types of withdrawal, the admissible purpose for them and their corresponding limits.

Conversion of advances into withdrawals:

In case of a subscriber who has already drawn or may draw in future an advance for any of the purposes specified for type (1) (in table 5) withdrawal, the advance can be converted into withdrawal. In this case the balance outstanding against that advance is converted into a withdrawal. This applies to more than one advances.

So how are the withdrawal limits going to be decided in this case? For this purpose, the amount standing to the credit of an subscriber with the interest

³⁴The limit of an advance is three months pay or half the amount of subscription and interest thereon standing to the credit of the subscriber in the fund, which ever is less.

Table 5: Different types of withdrawals, their purposes and limits

Type of Withdrawal	Purpose of Withdrawal	Limit of Withdrawal
(1) After the completion of fifteen years of service (including broken periods of service if any) or within ten years before the date of his retirement on superannuation, whichever is earlier	Higher education, Expenditure related to marriage and other rituals, Illness, Consumer durables	The sanctioning authority can sanction the withdrawal in excess of 75% of the prescribed limit
(2) During the service of a subscriber	residence, repayment of loan taken for residential purposes, reconstruction of the house, renovation of the ancestral property	This withdrawal can be in excess of 90% of the prescribed limit. However in this case, the withdrawal should not exceed the maximum limit prescribed by the concerned ministry from time to time. If the subscriber has availed of any loan under any scheme of the government for house building purposes, then the sum withdrawn together with the amount of such a loan should not exceed the maximum limit prescribed from time to time.
(3) Within twelve months before the date of subscriber's retirement on superannuation	No purpose is required	The withdrawal should not exceed 90% of the amount of subscription and interest thereon standing to the credit of the subscriber in the fund.
(4) Once during the course of a financial year	No purpose is required	Prescribed limit

thereon plus the outstanding balance against that advance must be added.

The rule of prescribed limits has to be applied on this sum.

Final withdrawal of Accumulation in the Fund:

When a subscriber quits the service, the amount standing to his credit in the fund (less any deduction³⁵ becomes payable to him).

4.2.2 General Provident Fund(GPF)

All re-employed pensioners (other than those eligible for contribution to the CPF) and all permanent government servants are eligible to subscribe to the GPF. In case of temporary government servants, one-year continuous service term is required for becoming eligible to subscribe to this fund. If the temporary employee has been transferred from a corporate body (owned or controlled by the government) and other departments of the central government or state government, the service under that corporate body should be counted as service period required for being eligible under this scheme.

The above rule also applies for employees transferred from State Governments or another Central Government departments

Conditions and rates of subscription:

A subscriber has to subscribe monthly to the fund when on duty or foreign service, but not during suspension. The subscriber can choose to contribute any thing (it should be a whole number) between 6% and 100% of his emoluments (including the boundary points of this interval). In case of those subscriber, who has previously been contributing to CPF at the higher rate of 8.33%, then that employee is bound to contribute more than equal to 8.33% of his emoluments.

Rules of contribution during periods of suspension and leave are same as the rules given in the case of GPF.

A government servant who is retiring on superannuation is exempted from making any subscription to the fund during the last three months of his service. This is a compulsory exercise.

³⁵The deduction includes amounts representing such contribution and interest in case of the subscriber being dismissed due to misconduct, insolvency and inefficiency. However, if any such order of dismissal is canceled, the amount so deducted, on reinstatement in the service, is replaced to the credit of the subscriber in the fund. It also includes all amounts representing such contribution and interest, if the subscriber within five years of the commencement of his service, resigns or ceases to be an employee (not due to the death, superannuation or medical disability).

Interest:

The government has to pay to the credit of the account of a subscriber interest at such rate as may be determined for each year according to the method of calculation prescribed from time to time by the Government of India.

Table6 shows the rate of interest on GPF prior to 2004-2005. In case, the

Table 6: Interest rates applicable to GPF

Years	Rates of Interest Per Annum
1986-87 to 1999-2000	12.00%
2000-01	11.00%
2001-02	9.50%
2002-03	9.00%
2003-04	8.00%

rate of interest determined for a year is less than 4%, all subscribers to the fund in that year are to be allowed an interest of 4%.

In the case of subscribers, who were previously subscribers of CPF (and were getting 4% return) and whose subscription together with interest thereon has been transferred to the GPF, will be allowed an interest rate of 4% for their GPF.

The manner in which the interest has to be credited is same as that given for CPF.

Advances and Withdrawals: Advances, withdrawals and their recovery rules are same as the rules for CPF.

4.2.3 Transfer of an subscriber from the CPF to the GPF

If a subscriber to the CPF is permanently transferred to pensionable service, he has the option to (a) to continue to subscribe to the CPF³⁶ or (b) to transfer his accumulations in the CPF to the GPF³⁷.

³⁶In this case, he does not get a pension.

³⁷In this case, the government contributions to his CPF have to be repaid to the Government. The employee service period while being a subscriber to the CPF has to be counted as a qualifying service in determination of his pensionary and other retirement benefits.

Note that in the case of death of central government servants, who are governed by the CPF rules and die without exercising their option, their families have the option to switch from the CPF to the GPF.

4.2.4 Deposit linked insurance schemes

The central civil service employees are entitled to deposit linked insurance schemes. The scheme applies to them on the basis of the provident fund (CPF or GPF) to which they are subscriber of.

Deposit linked insurance scheme for GPF subscriber:

On the death of a subscriber (this applies to suicide also), the person entitled to receive the amount standing to the credit of the subscriber is paid an additional amount equal to the average balance in the account during the three years immediately preceding the death of such subscriber. This is subject to the following conditions:

1. The balance at the credit of such subscriber, at any time during three years preceding the month of death, should not have fallen below the prescribed limit³⁸.
2. The additional amount payable under this scheme should not exceed sixty thousand rupees.
3. The subscriber has put in at least five years service at the time of his death.

Note that in the above scheme, the employee has to be treated as a subscriber even during the last three months of his service, when subscriptions have been discontinued.

Deposit linked insurance scheme for CPF subscriber:

On the death of a subscriber (this applies to suicide also), the person entitled to receive the amount standing to the credit of the subscriber has to be paid an additional amount equal to the average balance in the account during the three years immediately preceding the death of such subscriber. This is subject to the following conditions:

1. The balance at the credit of such subscriber, at any time during three years preceding the month of death, should not have fallen below the prescribed limit³⁹.

³⁸(i)The prescribed limit is: (i) 25,000 rupees in the case of a subscriber holding a post in the scale of pay, the maximum of which is 12,000 or more (ii)15,000 rupees in the case of a subscriber holding a post in the scale of pay, the maximum of which is 9,000 but less than 12,000 (iii) 10,000 rupees in the case of a subscriber holding a post in the scale of pay, the maximum of which is 3,500 but less than 9000 (iv) 6,000 rupees in the case of a subscriber holding a post in the scale of pay, the maximum of which is less than 3500

³⁹The prescribed limit is: (i)12,000 rupees in the case of a subscriber who has held, for

2. The additional amount payable under this scheme should not exceed thirty thousand rupees.
3. The subscriber has put in at least five years service at the time of his death.

4.3 Other Benefits

4.3.1 Extraordinary Pension Rules

The central civil servant employees are subject to some special types of risks such as being kidnapped or killed or wounded by the terrorists. In view of their high vulnerability to such risks, there are some extraordinary benefits for them. These benefits come under Central Civil Services (Extra ordinary Pension Rules), 1939 and have been incorporated under Central Civil Service Rules, 1972.

These extraordinary rules applies to central civil service employees paid from civil estimates (other than those to whom the Workmen's compensation Act, 1923 applies). These rules are applicable in case of the employees getting injured, diseases or dying on account of his service as an government employee. This is irrespective of the fact that the employee was a permanent or temporary employee. We first consider the case of injuries or diseases.

Injuries/Diseases:

If the injury/disease sustained by the employee is attributable to Government service and the employee is boarded out from Government service as a result of these injuries, then he is eligible for the grant of disability pension. This is in addition to service gratuity or pension admissible under the Civil Services (Pension) Rules or terminal gratuity admissible under Central Civil Services (Temporary Service) Rules, as the case may be. If such an employee is still retained in service, he is not paid disability pension monthly, but the capitalized value of the disability pension is paid to him in lump sum.

Table7 shows the disability pension for 100% disability.

the greater part of the aforesaid period of three years, a post the maximum of the pay scale of which is rupees 4000 or more (ii) 7500 rupees in the case of a subscriber who has held, for the greater part of the aforesaid period of three years, a post the maximum of the pay scale of which is rupees 2900 but less than 4000. (iii) 4500 rupees in the case of a subscriber who has held, for the greater part of the aforesaid period of three years, a post the maximum of the pay scale of which is rupees 1,151 but less than 2900 (iv) 3,000 rupees in the case of a subscriber who has held, for the greater part of the aforesaid period of three years, a post the maximum of the pay scale of which is less than 1,151

Table 7: Rates of disability pension for 100% disability	
Pay ⁴⁰	Disability Pension per month
Up to Rs.1,500	30% of pay subject to a minimum of Rs.375
Rs.1,501 to Rs.3,000	20% of pay subject to a minimum of Rs.
Over Rs.3,000	15% of pay subject to a minimum of Rs.600 and maximum of Rs.1,250.

For lower percentages of disability, the monthly pension is proportionately lower. If the permanent disability is not less than 60%, then the total pension (service pension + disability pension) should not be less than 60% of pay subject to a minimum of Rs.750 and maximum of Rs.2,500 per month.

Death:

If the death is attributable to government service, the wife/husband of the deceased employee is eligible for the grant of extraordinary family pension. In the absence of wife/husband, the family pension is granted to the child. The death gratuity, if any, admissible under CCS(Pension)Rules or under CCS(Temporary Service)Rules, as the case may be, has also to be paid.

Extraordinary Family Pension:

One consolidated extraordinary family pension (which is inclusive of element of children's pension and children's education allowance) is payable to the senior most beneficiary at a time on the same lines as applicable for payment of family pension under the CCS(Pension)Rules, 1972.

Tables 8 and 9 show the rate at which the extraordinary pension is given.

The extraordinary family pension to a widow is only payable for a defined time period⁴¹. If the deceased employee has left neither a widow nor a child,

⁴¹The family pension is payable to the widow up to the date of her re-marriage or death, whichever is earlier. Thereafter, it is payable to the children one by one in the order of their birth irrespective of their sex. Son(s) up to the age of 25 years/unmarried daughter(s) up to the age of 25 years or up to the date of her marriage, whichever is earlier, are eligible for family pension. The enhanced rate of family pension applicable to a widow having child/children is payable till the child/children attain(s) the age of 25 years and thereafter the family pension is payable at the rates applicable to childless widow

The family pension of a widow will cease on re-marriage; but when such re-marriage is annulled by divorce, desertion or death of the second husband, her pension may be restored.

Table 8: Rates of extra ordinary pension, when the deceased employee was not holding a pensionable post

State of the Widow	Pay of the Employee on the Date of the Death	Amounts of Extraordinary Pension Per Month
The widow is childless	Up to Rs.1,500	30% of pay subject to a minimum of Rs.375.
The widow is childless	Rs.1,501 - Rs.3,000	20% of pay subject to a minimum of Rs.450.
The widow is childless	Over Rs.3,000	15% of pay subject to a minimum of Rs.600 and maximum of Rs.1,250
The widow has children	in all cases	40% of pay subject to a minimum of Rs.500 and maximum of Rs.1,500.

Table 9: Rates of extra ordinary pension, when the deceased employee was holding a pensionable post

State of the Widow	Pay of the Employee on the Date of the Death	Amounts of Extraordinary Pension Per Month
The widow is childless	Up to Rs.1,500	50% of pay.
The widow is childless	Rs.1,501 - Rs.3,000	40% of pay subject to a minimum of Rs.750.
The widow is childless	Over Rs.3,000	30% of pay subject to a minimum of Rs.2500
The widow has children	in all cases	60% of pay subject to a minimum of Rs.750 and maximum of Rs.2500.

the family pension is granted to the dependent parents/brothers/sisters in that order and the total award should not exceed half the rate of family pension admissible to the childless widow.

Lump sum payment to families of government servants travelling by service

aircraft and dying in accidents:

The family of a government servant, who dies in an accident while traveling as a passenger or a member of the crew in a service aircraft in the course of his duties is paid a lump sum payment of Rs.5,00,000. This lump sum payment is in addition to the benefits of family pension stated above.

4.3.2 Leave Encashment

Central Civil Service employee can encash their earned leave at their retirement. This is subject to condition that such leaves should not exceed 300 working days. There is no provision for payment of interest on delayed payment of leave encashment.

5 TAX BREAKS

The following components of the retirement benefits are not exempted from taxes:

1. Monthly Pensions

The following components are exempted:

1. Death-cum-retirement gratuity or any other gratuity⁴²
2. Any payment in commutation of pensions received under the civil pension rules or under any similar scheme which is applicable to central civil service employees⁴³
3. Cash-equivalent of the leave salary in respect of the period of earned leave at his credit at the time of his retirement on superannuation or otherwise
4. Compensation received at the time of voluntary retirement⁴⁴

⁴²This is exempt to the extent specified from inclusion in computing the total income under clause (10) of section 10 of the IT act.

⁴³The exemption is subject to the limit that the payment does not exceed (a) in case where the employee receives any gratuity, the commuted value of the one third of the pension which he is normally entitled to receive and (b) in any other case, the commuted value of one half of such pension.

⁴⁴This is subject to the fulfillment of the following conditions: (a) The employee availing voluntary requirement should have completed ten years of service or completed forty years of age. (b) The voluntary retirement scheme should apply to all employees including workers and executives, except the director of a company. The scheme of voluntary retirement should be drawn to result in overall reduction in the strength of the employees (d) the vacancy created by voluntary retirement is not filled up and the retiring employee is not employed in another company or concern belonging to the same management (e) the amount of voluntary retirement of the employee should not exceed the amount equivalent

6 CONCLUSIONS

The most spectacular benefits for central civil service employees are their non contributory benefits. Let us briefly review these non contributory benefits. The two non contributory benefits are pensions and gratuity. These two benefits depend upon the length of their qualifying service. However, conditions which may reduce the qualifying service of an employee are also taken care of so that the retiree does not suffer as a result of falling short of the qualifying years in service. These conditions are injuries, death, abolition of the post etc. The rules even take care of death after retirement⁴⁵.

The retirement benefit schemes for the central civil service employees also take care of their pre-retirement special monetary needs. These need are expenses for social rituals, higher education etc. Advances can be taken from their GPF or CPF for these needs. Although there are limits on such advances, the limits are relaxable. The cost of repayment of these advances is zero.

to three months salary for each completed year of service or monthly emoluments at the time of retirement by the balance months of service left at the time of his retirements

⁴⁵family pension and deposit linked insurance scheme

7 REFERENCES

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